

**COUNTY OF SACRAMENTO  
CALIFORNIA**

For the Agenda of:  
January 29, 2013  
“*Communications Received and Filed*” Item

To: Board of Supervisors

From: Department of Finance

Subject: District Attorney – Organized Automobile Fraud Activity Interdiction “Urban Grant” Program – July 1, 2011 To June 30, 2012

Supervisory  
District: All

Contact: Ben Lamera, Assistant Auditor-Controller, 874-7450

---

**RECOMMENDATION**

Receive and file the attached audit report, *District Attorney – Organized Automobile Fraud Activity Interdiction “Urban Grant” Program – July 1, 2011 to June 30, 2012.*

Respectively submitted,

**Julie Valverde**  
Director of Finance

Attachment 1: Organized Automobile Fraud Activity Interdiction “Urban Grant” Program Auditor’s Report for the period July 1, 2011 to June 30, 2012

Attachment 2: Letter of Governance for the Organized Automobile Fraud Activity Interdiction “Urban Grant” Program for the period July 1, 2011 to June 30, 2012



# **COUNTY OF SACRAMENTO**

## **DEPARTMENT OF FINANCE**

### **AUDITOR - CONTROLLER**

**County of Sacramento  
Office of the District Attorney  
California Department of Insurance  
Organized Automobile Fraud Activity Interdiction Program  
"Urban Grant"**

**For the period July 1, 2011 to June 30, 2012**

County of Sacramento  
Office of the District Attorney  
California Department of Insurance  
Organized Automobile Fraud Activity Interdiction Program  
“Urban Grant”

For the Period July 1, 2011 to June 30, 2012

Audit Staff:

Hong Lun (Andy) Yu  
Coye E. Carter

Audit Manager  
Senior Auditor

County of Sacramento  
Office of the District Attorney  
California Department of Insurance  
Organized Automobile Fraud Activity Interdiction Program  
“Urban Grant”

For the Period July 1, 2011 to June 30, 2012

Table of Contents

Auditor’s Report.....	1
Schedules:	
Schedule of Status of Cash and Accounts Receivable (State).....	3
Schedule of Approved Budget, Expenditures Claimed and Audited Costs .....	4
Notes to Financial Schedules.....	5
Other Report:	
Auditor’s Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Schedules Performed in Accordance with <i>Government Auditing Standards</i> .....	7



**Internal Services**

**Department of Finance**

**Auditor-Controller Division**

Ben Lamera,  
Assistant Auditor-Controller

**County of Sacramento**

Bradley J. Hudson,  
County Executive

David Villanueva,  
Chief Deputy County Executive

Julie Valverde,  
Director of Finance

December 13, 2012

Jan Scully, District Attorney  
County of Sacramento  
901 G Street  
Sacramento, CA 95814

**AUDITOR'S REPORT**

We have audited the accompanying Schedule of Status of Cash and Accounts Receivable (State) of the Sacramento County, Office of the District Attorney (DA), California Department of Insurance, Organized Automobile Fraud Activity Interdiction "Urban Grant" Program, and the related Schedule of Approved Budget, Expenditures Claimed, and Audited Costs, for the program period from July 1, 2011 to June 30, 2012. These schedules are the responsibility of the DA's management. Our responsibility is to express an opinion on these schedules based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the schedules are free from material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the schedules. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall schedule presentation. We believe our audit provides a reasonable basis for our opinion.

In connection with the audit contained herein, there are certain disclosures that are necessary pursuant to paragraphs 3.22 through 3.24 of *Government Auditing Standards*.

As required by various statutes within the California Government Code, County Auditor-Controllers or Directors of Finance are mandated to perform certain accounting, auditing, and financial reporting functions. These activities, in themselves, necessarily impair *Government*

*Auditing Standards* independence standards. Specifically, “auditors should not audit their own work or provide non-audit services in situations where the amounts or services involved are significant/material to the subject matter of the audit.”

Although the Director of Finance is obligated by statute to maintain the accounts of departments, districts, or funds that are contained within the County Treasury, we believe the following safeguard and division of responsibility exist. The staff that has the responsibility to perform audits within the Auditor-Controller Division has no other responsibility of the accounts and records being audited, including the approval or posting of financial transactions that would therefore enable the reader of this report to rely on the information contained herein.

In our opinion, except for the disclosure for paragraphs 3.22 through 3.24 of *Government Auditing Standards* as noted above, the schedules referred to above present fairly in all material respects, the funds and costs incurred under the Sacramento County, DA, California Department of Insurance, Organized Automobile Fraud Activity Interdiction “Urban Grant” Program for the program period from July 1, 2011 to June 30, 2012, in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 13, 2012, on our consideration of the Sacramento County, DA’s internal control structure over financial reporting and our tests of its compliance with provisions of laws, regulations, contracts, and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Sincerely,

JULIE VALVERDE  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, C.P.A.  
Audit Manager

County of Sacramento  
Office of the District Attorney  
California Department of Insurance  
Organized Automobile Fraud Activity Interdiction Program  
"Urban Grant"

For the Period July 1, 2011 to June 30, 2012

Schedule of Status of Cash and Accounts Receivable (State)

Cash Received

State (Received During the Grant Period)	\$ 247,889
Carryover from Prior Grant	<u>15,329</u>
Total Cash Available during the Grant Period	263,218
Amount Due from State	<u>122,041</u>
Total Grant Funds Available for the Period	<u>\$ 385,259</u>

Disbursements

State	<u>\$ 374,138</u>
Total Disbursements	<u>\$ 374,138</u>
Carryover Funds (Deferred Revenue)	<u>\$ 11,121</u>

The accompanying notes are an integral part of this schedule.

County of Sacramento  
Office of the District Attorney  
California Department of Insurance  
Organized Automobile Activity Interdiction Program  
"Urban Grant"

For the Period July 1, 2011 to June 30, 2012

Schedule of Approved Budget, Expenditures Claimed and Audited Costs

	<u>Approved Budget</u>	<u>Expenditures Claimed and Audited Costs</u>
Costs		
Salaries and Benefits	\$ 330,328	330,328
Operating Expenses	<u>54,931</u>	<u>43,810</u>
Total Costs	<u>\$ 385,259</u>	<u>374,138</u>
Funding		
State	<u>\$ 385,259</u>	<u>374,138</u>
Total Funding	<u>\$ 385,259</u>	<u>374,138</u>

The accompanying notes are an integral part of this schedule.



County of Sacramento  
Office of the District Attorney  
California Department of Insurance  
Organized Automobile Fraud Activity Interdiction Program  
“Urban Grant”

For the Period July 1, 2011 to June 30, 2012

Notes to Financial Schedules

1. Program Description

The County of Sacramento, Office of the District Attorney (DA), entered into the Organized Automobile Fraud Activity Interdiction “Urban Grant” Program with the California Department of Insurance (DOI) for the period of July 1, 2011 to June 30, 2012. The funds are to provide for enhanced investigation and prosecution of automobile insurance fraud cases. The funds are available to the Insurance Commissioner for distribution to local district attorneys under provisions of Section 1874.8 of the California Insurance Code.

The contract was approved by Resolution No. 2009-0795, adopted by the Sacramento County Board of Supervisors on October 20, 2009. The term of the agreement is from July 1, 2009 to June 30, 2012. The grant agreement provides \$369,930 for the reimbursement of costs incurred from July 1, 2011 to June 30, 2012. Total funding for the program, including the fiscal year end June 30, 2011 carryover amount of \$15,329, is \$385,259 for the period July 1, 2011 to June 30, 2012.

2. Accounts and Records

The DA receives funds from DOI, which are deposited to the DA's Organized Automobile Fraud Activity Interdiction Program trust account with the County of Sacramento, Department of Finance, Treasurer.

Expenditures are reimbursed by transfer of funds from the grant trust fund to the grant revenue account. This is done periodically by means of a journal voucher prepared by the DA. The journal voucher is based on expenditure information, which is collected in a separate cost center for the grant.

3. Funding Amounts

The amount of the grant payments from DOI is based on the amount of funds available for disbursement. These funds are based on any carryover funds from the prior grant and an annual fee to be determined by the Insurance Commissioner, not to exceed one dollar annually, for each vehicle insured within the state. Fifty-one percent of the assessment after incidental expenses is available for distribution to district attorneys. Consequently, the budget amounts are estimated funding levels from DOI until actual payment is received by the DA.

County of Sacramento  
Office of the District Attorney  
California Department of Insurance  
Organized Automobile Fraud Activity Interdiction Program  
“Urban Grant”

For the Period July 1, 2011 to June 30, 2012

Notes to Financial Schedules

4. Accounts Receivable and Carryover Funds

The amount due from the State at the end of the program period is \$122,041. This amount due was received in July and September 2012. Total grant funds available for the program is \$385,259. The total available amount is comprised of \$369,930 in current year grant award and \$15,329 in fiscal year 2010-11 carryover funds. The difference between the grant funds available and the expenditures for the grant are accounted for as deferred revenue in the amount of \$11,121 and will be requested as carryover funds for the subsequent grant by the DA.

OTHER REPORT

**Internal Services**  
**Department of Finance**  
**Auditor-Controller Division**

Ben Lamera,  
Assistant Auditor-Controller



## County of Sacramento

Bradley J. Hudson,  
County Executive

David Villanueva,  
Chief Deputy County Executive

Julie Valverde,  
Director of Finance

December 13, 2012

Jan Scully, District Attorney  
County of Sacramento  
901 G Street  
Sacramento, CA 95814

### **AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL SCHEDULES PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited the accompanying financial schedules of the County of Sacramento, Office of the District Attorney (DA), California Department of Insurance (DOI), Organized Automobile Fraud Activity Interdiction "Urban Grant" Program for the program period from July 1, 2011 to June 30, 2012, and have issued our report thereon dated December 13, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### **Internal Control Over Financial Reporting**

The DA's management is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the DA's internal control over financial reporting as the basis for designing our auditing procedures for the purpose of expressing our opinion on the financial schedules, but not for the purpose of expressing an opinion on the effectiveness of the DA's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the DA's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the DA's financial schedules will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in the internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses as defined above.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the DA's financial schedules are free of material misstatements, we performed tests of the DA's compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial report amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended for the information and use of the County of Sacramento, DA's management and the DOI. This report is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

Sincerely,

JULIE VALVERDE  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu, C.P.A.  
Audit Manager



**Internal Services**  
**Department of Finance**  
**Auditor-Controller Division**

**County of Sacramento**

Bradley J. Hudson,  
County Executive

David Villanueva,  
Chief Deputy County Executive

Julie Valverde,  
Director of Finance

Ben Lamera,  
Assistant Auditor-Controller

December 13, 2012

Sacramento County Board of Supervisors  
700 H Street, Suite 2450  
Sacramento, CA 95814

We have audited the Schedules of Status of Cash and Accounts Receivable (State) of the Sacramento County, Office of the District Attorney (DA), California Department of Insurance (DOI), Organized Automobile Fraud Activity Interdiction "Urban Grant" Program, and the related Schedule of Approved Budget, Expenditures Claimed, and Audited Costs for the program period July 1, 2011 to June 30, 2012 and have issued our report thereon dated December 13, 2012. Professional standards require that we provide you with the following information related to our audit.

Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated August 29, 2012, our responsibility, as described by professional standards, is to express an opinion about whether the financial schedules prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial schedules does not relieve you or management of your responsibilities.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial schedules are free of material misstatement. As part of our audit, we considered the internal control of DA. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

As part of obtaining reasonable assurance about whether the financial schedules are free of material misstatement, we performed test of DA's compliance with certain provisions of laws, regulations, contracts, and grants. However, the objective of our tests was not to provide an opinion on compliance with such provisions.

We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

### Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated to the DA in our engagement letter dated August 29, 2012.

### Significant Audit Findings

#### *Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. DA follows Sacramento County accounting policies which are described in County of Sacramento annual comprehensive financial report. No new accounting policies were adopted and the application of existing policies was not changed during the program period July 1, 2011 to June 30, 2012. We noted no transactions entered into by DA during the period for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial schedules in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial schedules prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. In some instances, certain accounting estimates are particularly sensitive because of their significance to the financial schedules and because of the possibility that future events affecting them may differ significantly from those expected. We do not note any accounting estimates that are particularly sensitive and required your special attention.

The disclosures in the financial schedules are neutral, consistent, and clear. We do not note any financial schedules disclosures that are particularly sensitive to financial schedule users.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. None of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial schedules taken as a whole.

*Disagreement with Management*

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial schedules or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

*Management Representations*

We have requested certain representations from management that are included in the management representation letter dated December 13, 2012.

*Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

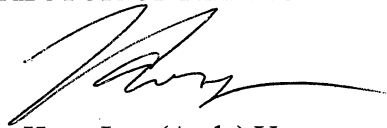
*Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

This information is intended solely for the use of Sacramento County Board of Supervisors and management of the Office of the District Attorney and is not intended to be and should not be used by anyone other than these specified parties.

Sincerely,

JULIE VALVERDE  
DIRECTOR OF FINANCE



By: Hong Lun (Andy) Yu  
Audit Manager

CC: Jan Scully, District Attorney